The specie reserves of the New York banks were strengthened for a time by government bond purchases and they were able to expand their loans. Foreign capital continued to flow into the United States and the bubble of speculation to be blown to the extremist tension.

Conditions were ripe both in Europe and America for a crash, when the impulse came on August 24, 1857, from the failure of the Ohio Life Insurance and Trust Co., of Cincinnati and New York, with reported liabilities of $7,000,000. A panic followed on the New York Stock Exchange, stocks fell, money was hoarded and loaned only at extravagant rates, deposits began to disappear from the banks, and late in September a run began on the banks of Philadelphia. They were compelled to suspend specie payments on September 26th and were followed by the New York City banks on October i3th. The early part of October had witnessed the failure of the Illinois Central Railroad, the New York and Erie, and the Michigan Central, and the run upon the New York banks for the withdrawal of their deposits followed close upon these events.[1] Prices of commodities tumbled with the price of stocks and the farmers felt the pinch in the depreciation of wheat, flour and pork as well as in the fall in real estate.

Money continued tight in England up to the autumn of 1857 and many complaints were made against the Bank of England for the high rate of discount. The news of the failure of the Ohio Life and Trust Co. caused intense alarm

the banks, which had not suffered during the crisis, rose from $58,-349,838 in 1857 to $74,412,832 in 1858 and to $104,537,818 in 1859. [M]-Juglar points out that it was not increase of circulation which caused expansion so much as "the attraction of deposits by high interest and the lending of them to reckless speculators."—Des Crises Com-merciales, 268.

[x]The New York banks contracted their discounts from $122,000,000 on August 8th to $97,200,000 on October I7th. The constitution of the State of New York forbade suspension of specie payments directly or indirectly, but the judges of the Supreme Court met and agreed not to grant any injunction unless the bank appeared to be insolvent or guilty of fraud.—Sumner, *HistoryofAmerican Currency,* 184.